CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 24, 2017

H.R. 95
Veterans' Access to Child Care Act

As ordered reported by the House Committee on Veterans' Affairs on July 19, 2017

SUMMARY

H.R. 95 would extend the current limitation on pensions for certain veterans using Medicaid and increase the fees charged to veterans who obtain loans guaranteed by the Department of Veterans Affairs (VA). This bill also would require VA to provide assistance for child care (through subsidies, on-site services, or direct payments to service providers) to veterans receiving mental health care at a VA medical facility.

CBO estimates that enacting the bill would decrease direct spending by $635 million over the 2017-2027 period. CBO also estimates that implementing the bill would cost $96 million over the 2017-2022 period, assuming appropriation of the necessary amounts.

Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 95 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 95 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 95 are shown in the following table. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 550 (health).

	By Fiscal Year, in Millions of Dollars						
	2017	2018	2019	2020	2021	2022	2017-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	15	21	21	22	23	102
Estimated Outlays	0	13	20	20	21	22	96

Note: In addition to the budgetary effects shown above, enacting H.R. 95 would decrease direct spending by $635 million over the 2017-2027 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the beginning of 2018, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for the affected programs.

Spending Subject to Appropriation

Section 2 would require VA to provide child care assistance to veterans receiving mental health care at VA medical facilities. Under the bill VA could provide a stipend to veterans for child care based on the amounts provided to its employees, offer child care at its on-site facilities or at other federal departments, or directly pay child care agencies in the community.

On the basis of information from the Census Bureau and VA, CBO estimates that VA would need to process about 665,000 claims for reimbursement of child care benefits each year. Based on an average appointment time (including travel) of about three hours and an average hourly cost for child care services of $10, CBO estimates that the cost to process an average claim would be $30. In total, CBO estimates that implementing this bill would cost $96 million over the 2017-2022 period.

Direct Spending

CBO estimates that enacting H.R. 95 would decrease direct spending by $635 billion over the 2017-2027 period.

Pensions for Veterans in Medicaid-Approved Nursing Homes. Section 3 would extend for two years (from September 30, 2024, to September 30, 2026) the expiration date of a provision that sets a $90 per month limit on pensions paid to any veteran who has no spouse or child and who is receiving Medicaid benefits in a Medicaid-approved nursing home; that provision also applies to any surviving spouse of a veteran who is receiving such coverage. Using data from VA, CBO estimates that about 13,000 veterans and 24,000 surviving spouses would be affected by this provision; the average monthly savings to VA would be about $1,900 per veteran and $1,200 per survivor. (Those estimates account for the effects of inflation, mortality rates, and growth of the affected population.) On that basis, CBO estimates that enacting the provision would reduce VA spending by $1.4 billion over the 2025-2026 period.

Because of the reduced pensions, Medicaid would need to make some payments to nursing homes that would otherwise be paid by the veterans and surviving spouses. Those higher Medicaid payments would offset some of the savings from the reduced pensions. CBO estimates that those Medicaid costs would total about $846 million over the two years, resulting in a net reduction in direct spending of $552 million over the 2025-2026 period, as shown in the pay-as-you-go table below.

Loan Guarantee Fees. Under its Home Loan program, VA guarantees mortgages made to veterans; those guarantees enable veterans to get better loan terms, such as lower interest rates or smaller down payments. The loan guarantee provides a lender a payment of up to 25 percent of the outstanding loan balances (subject to some limitations on the original loan amounts) in the event that a veteran defaults on a guaranteed loan. Section 3 would increase some of the fees that VA charges veterans for providing those guarantees. Those fees lower the subsidy cost of the guarantees by partially offsetting the costs of subsequent defaults.[1]

Under current law, the up-front fee varies on the basis of the size of the down payment and whether the veteran has previously used the loan-guarantee benefit. Borrowers who are members of the reserve component pay an additional fee of 0.25 percent of the loan amount. Veterans who receive compensation for service-connected disabilities are exempt from paying the fee. The current fees that would be affected by section 5 are:

- 2.15 percent of the loan amount for loans with no down payment,
- 1.50 percent of the loan amount for loans with a 5 percent down payment, and
- 0.75 percent of the loan amount for loans with a 10 percent down payment.

Those fees are scheduled to decline on October 1, 2024, to 1.40 percent, 0.75 percent, and 0.50 percent, respectively.

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed.

Under section 5, that scheduled fee reduction would be delayed by three months, until December 31, 2024. Continuing the fees at their current level would increase collections by VA, thereby lowering the subsidy cost of the loan guarantees. Based on data from VA, CBO estimates that enacting section 5 would reduce direct spending by $83 million in 2025.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 95, the Veterans' Access to Child Care Act, as ordered reported by the House Committee on Veterans' Affairs on July 19, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	-355	-280	0	0	-635

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 95 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On July 24, 2017, CBO transmitted a cost estimate for H.R. 1058, the VA Provider Equity Act, as ordered reported by the House Committee on Veterans' Affairs on July 19, 2017. The language in H.R. 1058 that affects pensions is similar to language in H.R. 95 and the estimated savings are the same.

On July 24, 2017, CBO transmitted a cost estimate for H.R. 3262, the Grow Our Own Directive: Physician Assistant Employment and Education Act of 2017, as ordered reported by the House Committee on Veterans' Affairs on July 19, 2017. The language in H.R. 3262 that affects loan guarantee fees is similar to language in H.R. 95 and the estimated savings are the same.

ESTIMATE PREPARED BY:

Federal Costs:

Child Care Assistance—Ann E. Futrell
Pensions—Dwayne M. Wright
Loan Guarantee Fees—David Newman

Impact on State, Local, and Tribal Governments: Jon Sperl

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis